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BRIEFING FOR HOUSE FOREIGN AFFAIRS COMMITTEE

USSR

I. Several new tendencies on Soviet political scene in recent months. (last briefed on 22 October--Taiwan straits)

A. Externally

1. Lines of conflict with West have been tightened.
2. "Reduction of tensions" no longer major Soviet foreign policy theme but should take new look at this after/party XXI Congress.

B. Internally

1. Attempt to stabilize and consolidate - check the pace of change.
2. Return to a certain rigor in policy and ideology but no reversion to police state.
3. Khrushchev firmly in control, but maneuvering for succession may be underway. Men to watch are Suslov, Kirichenko, Kozlov.

II. Trends in Foreign Policy

A. Distinct hardening tone.

1. New militancy and assertiveness in Soviet policy.
2. Examples: Berlin, Middle East crises (particularly Iraq) and apparent support of China at Quemoy.

B. Return to harder course deemed desirable by Soviets because of:

1. Danger to Soviet authority in Eastern Europe.

~~TOP SECRET~~

2. Broadened opportunities because of breakdown in democratic procedures in certain non-bloc countries.

3. Soviet feeling of enhanced military-economic position relative to West.

- a. In their view, good prospects for increased bloc economic strength--symptoms of economic crisis in West.
- b. In their view, growing Communist influence in Asia, Africa, Middle East - decline of Western influence.

C. Despite more confidence and militant attitude, still wish to avoid nuclear war with USA at present.

1. Despite their progress in ballistic missiles, US retaliatory capability threatens Soviet survival in war.
2. They believe in achievement of final victory through political struggle.
3. Continuing possibility of limited war, especially indirect aggression, if they think it can be used without unacceptable risk--this might lead to miscalculation.

III. Trends in Soviet Economy.

A. Growth rate twice that of US over last decade and in last five years more than three times. Soviet rate expected to continue.

1. US retains lead in GNP

1958 - Soviet GNP = 45% of US

1965 - Soviet GNP = estimated about 55% of US

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2. 1957 total value of Soviet consumption (or what consumers receive) one-third of US.
3. Investment - equal to two-thirds of US investment.

B. Soviet defense expenditures will expand gradually.

1. Value of expenditures for military purposes roughly same as US defense expenditures.
2. As Soviet economy expands military expenditures can increase by 45 percent over the next 4 years without imposing significantly heavier burden.

IV. Seven Year Plan goals, announced by Mr. Khrushchev at Central Committee meeting last November, will be ratified by Party Congress now in session.

A. "Catching up with USA."

1. Soviet claim - by 1970 - USSR will be in first place ^{industrial} ^{industrial} in per capita output and absolute output.
2. Specific Seven Year Plan goals (1959-1965) show this claim far too optimistic - nevertheless ambitious expansion planned.
3. Continuing emphasis on heavy industry and large military programs.

B. Specific Seven Year Plan goals generally feasible except in agriculture.

1. Will strain economy and some programs may be curtailed.

C. In addition to supporting development of military power, continuing rapid growth of Soviet economy challenges Western world by:

~~TOP SECRET~~
43

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1. Political-economic impact which they have on foreign countries (Finland).
2. Attracting underdeveloped countries who seek quick end to poverty.
3. Creating potentially disruptive influence on traditional western economic relationships.

V. Soviet Economic Offensive

- A. Trade and aid is economic adjunct to Soviet campaign of penetration in underdeveloped areas.
 1. Total magnitude of program relatively small, imposing little burden on Soviet economy.
 2. Concentrates on uncommitted countries, where comparatively small investment offers prospect of high political gains.
- B. In 3 1/2 years prior to mid-1958, grants and credits extended by bloc to underdeveloped countries in Free World totalled more than 2 billion dollars.
 1. Of this total, about \$1.2 billion extended by USSR itself, rest by other Bloc countries. (Comparable figure for USSR loans to bloc countries: \$5 billion of which \$1.4 billion in new credits, remainder cancelled debts.)
 2. About \$740 million has actually been expended, the rest has not yet been drawn.
- C. About three-fifths of total actually expended in non-Bloc world has been in the form of arms deliveries to Syria, Egypt, Yemen, Iraq, Afghanistan, and Indonesia, largely in the form of surplus equipment.

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-4-

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Next 26 Page(s) In Document Exempt

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